

108TH CONGRESS  
1ST SESSION

# S. 348

To amend the Internal Revenue Code of 1986 to make higher education more affordable, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

FEBRUARY 11, 2003

Mr. SCHUMER (for himself, Mr. BIDEN, Ms. SNOWE, Mr. BAYH, Mr. SMITH, and Mr. DURBIN) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to make higher education more affordable, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Make College Afford-  
5       able Act of 2003”.

6       **SEC. 2. EXPANSION OF DEDUCTION FOR HIGHER EDU-**  
7       **CATION EXPENSES.**

8       (a) AMOUNT OF DEDUCTION.—Subsection (b) of sec-  
9       tion 222 of the Internal Revenue Code of 1986 (relating

1 to deduction for qualified tuition and related expenses) is  
 2 amended to read as follows:

3 “(b) LIMITATIONS.—

4 “(1) DOLLAR LIMITATIONS.—

5 “(A) IN GENERAL.—Except as provided in  
 6 paragraph (2), the amount allowed as a deduc-  
 7 tion under subsection (a) with respect to the  
 8 taxpayer for any taxable year shall not exceed  
 9 the applicable dollar limit.

10 “(B) APPLICABLE DOLLAR LIMIT.—The  
 11 applicable dollar limit for any taxable year shall  
 12 be determined as follows:

<b>“Taxable year:</b>	<b>Applicable dollar amount:</b>
2003 .....	\$8,000
2004 and thereafter .....	\$12,000.

13 “(2) LIMITATION BASED ON MODIFIED AD-  
 14 JUSTED GROSS INCOME.—

15 “(A) IN GENERAL.—The amount which  
 16 would (but for this paragraph) be taken into ac-  
 17 count under subsection (a) shall be reduced  
 18 (but not below zero) by the amount determined  
 19 under subparagraph (B).

20 “(B) AMOUNT OF REDUCTION.—The  
 21 amount determined under this subparagraph  
 22 equals the amount which bears the same ratio

to the amount which would be so taken into account as—

“(i) the excess of—

“(I) the taxpayer’s modified adjusted gross income for such taxable year, over

“(II) \$65,000 (\$130,000 in the case of a joint return), bears to

“(ii) \$15,000 (\$30,000 in the case of a joint return).

“(C) MODIFIED ADJUSTED GROSS INCOME.—For purposes of this paragraph, the term ‘modified adjusted gross income’ means the adjusted gross income of the taxpayer for the taxable year determined—

“(i) without regard to this section and sections 911, 931, and 933, and

“(ii) after the application of sections 86, 135, 137, 219, 221, and 469.

For purposes of the sections referred to in clause (ii), adjusted gross income shall be determined without regard to the deduction allowed under this section.

“(D) INFLATION ADJUSTMENTS.—

“(i) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 2003, both of the dollar amounts in subparagraph (B)(i)(II) shall be increased by an amount equal to—

“(I) such dollar amount, multiplied by

“(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, by substituting ‘calendar year 2002’ for ‘calendar year 1992’ in subparagraph (B) thereof.

“(ii) ROUNDING.—If any amount as adjusted under clause (i) is not a multiple of \$50, such amount shall be rounded to the nearest multiple of \$50.”.

(b) QUALIFIED TUITION AND RELATED EXPENSES OF ELIGIBLE STUDENTS.—

(1) IN GENERAL.—Section 222(a) of the Internal Revenue Code of 1986 (relating to allowance of deduction) is amended by inserting “of eligible students” after “expenses”.

(2) DEFINITION OF ELIGIBLE STUDENT.—Section 222(d) of such Code (relating to definitions and

1 special rules) is amended by redesignating para-  
 2 graphs (2) through (6) as paragraphs (3) through  
 3 (7), respectively, and by inserting after paragraph  
 4 (1) the following new paragraph:

5 “(2) ELIGIBLE STUDENT.—The term ‘eligible  
 6 student’ has the meaning given such term by section  
 7 25A(b)(3).”.

8 (c) DEDUCTION MADE PERMANENT.—Title IX of the  
 9 Economic Growth and Tax Relief Reconciliation Act of  
 10 2001 (relating to sunset of provisions of such Act) shall  
 11 not apply to the amendments made by section 431 of such  
 12 Act.

13 (d) EFFECTIVE DATE.—The amendments made by  
 14 this section shall apply to payments made in taxable years  
 15 beginning after December 31, 2002.

16 **SEC. 3. CREDIT FOR INTEREST ON HIGHER EDUCATION**  
 17 **LOANS.**

18 (a) IN GENERAL.—Subpart A of part IV of sub-  
 19 chapter A of chapter 1 of the Internal Revenue Code of  
 20 1986 (relating to nonrefundable personal credits) is  
 21 amended by inserting after section 25B the following new  
 22 section:

23 **“SEC. 25C. INTEREST ON HIGHER EDUCATION LOANS.**

24 “(a) ALLOWANCE OF CREDIT.—In the case of an in-  
 25 dividual, there shall be allowed as a credit against the tax

1 imposed by this chapter for the taxable year an amount  
 2 equal to the interest paid by the taxpayer during the tax-  
 3 able year on any qualified education loan.

4 “(b) MAXIMUM CREDIT.—

5 “(1) IN GENERAL.—Except as provided in para-  
 6 graph (2), the credit allowed by subsection (a) for  
 7 the taxable year shall not exceed \$1,500.

8 “(2) LIMITATION BASED ON MODIFIED AD-  
 9 JUSTED GROSS INCOME.—

10 “(A) IN GENERAL.—If the modified ad-  
 11 justed gross income of the taxpayer for the tax-  
 12 able year exceeds \$50,000 (\$100,000 in the  
 13 case of a joint return), the amount which would  
 14 (but for this paragraph) be allowable as a credit  
 15 under this section shall be reduced (but not  
 16 below zero) by the amount which bears the  
 17 same ratio to the amount which would be so al-  
 18 lowable as such excess bears to \$20,000  
 19 (\$40,000 in the case of a joint return).

20 “(B) MODIFIED ADJUSTED GROSS IN-  
 21 COME.—The term ‘modified adjusted gross in-  
 22 come’ means adjusted gross income determined  
 23 without regard to sections 911, 931, and 933.

24 “(C) INFLATION ADJUSTMENT.—In the  
 25 case of any taxable year beginning after 2003,

1           the \$50,000 and \$100,000 amounts referred to  
 2           in subparagraph (A) shall be increased by an  
 3           amount equal to—

4                   “(i) such dollar amount, multiplied by

5                   “(ii) the cost-of-living adjustment de-  
 6                   termined under section (1)(f)(3) for the  
 7                   calendar year in which the taxable year be-  
 8                   gins, by substituting ‘2002’ for ‘1992’.

9                   “(D) ROUNDING.—If any amount as ad-  
 10                  justed under subparagraph (C) is not a multiple  
 11                  of \$50, such amount shall be rounded to the  
 12                  nearest multiple of \$50.

13                  “(c) DEPENDENTS NOT ELIGIBLE FOR CREDIT.—No  
 14                  credit shall be allowed by this section to an individual for  
 15                  the taxable year if a deduction under section 151 with re-  
 16                  spect to such individual is allowed to another taxpayer for  
 17                  the taxable year beginning in the calendar year in which  
 18                  such individual’s taxable year begins.

19                  “(d) LIMIT ON PERIOD CREDIT ALLOWED.—A credit  
 20                  shall be allowed under this section only with respect to  
 21                  interest paid on any qualified education loan during the  
 22                  first 60 months (whether or not consecutive) in which in-  
 23                  terest payments are required. For purposes of this para-  
 24                  graph, any loan and all refinancings of such loan shall be  
 25                  treated as 1 loan.

1 “(e) DEFINITIONS.—For purposes of this section—

2 “(1) QUALIFIED EDUCATION LOAN.—The term  
3 ‘qualified education loan’ has the meaning given  
4 such term by section 221(e)(1).

5 “(2) DEPENDENT.—The term ‘dependent’ has  
6 the meaning given such term by section 152.

7 “(f) SPECIAL RULES.—

8 “(1) DENIAL OF DOUBLE BENEFIT.—No credit  
9 shall be allowed under this section for any amount  
10 taken into account for any deduction under any  
11 other provision of this chapter.

12 “(2) MARRIED COUPLES MUST FILE JOINT RE-  
13 TURN.—If the taxpayer is married at the close of  
14 the taxable year, the credit shall be allowed under  
15 subsection (a) only if the taxpayer and the tax-  
16 payer’s spouse file a joint return for the taxable  
17 year.

18 “(3) MARITAL STATUS.—Marital status shall be  
19 determined in accordance with section 7703.”.

20 (b) CONFORMING AMENDMENT.—The table of sec-  
21 tions for subpart A of part IV of subchapter A of chapter  
22 1 of the Internal Revenue Code of 1986 is amended by  
23 inserting after the item relating to section 25B the fol-  
24 lowing new item:

“Sec. 25C. Interest on higher education loans.”.



1       (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to any qualified education loan (as  
3 defined in section 25C(e)(1) of the Internal Revenue Code  
4 of 1986, as added by this section) incurred on, before, or  
5 after the date of the enactment of this Act, but only with  
6 respect to any loan interest payment due after December  
7 31, 2002.

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